

**Washington State**  
**Department of Financial Institutions**  
Mark Thomson, Acting Director  
**Securities Division**  
Deborah R. Bortner, Director

**NEWS FOR IMMEDIATE RELEASE**      **Contact: Deborah Bortner - (360) 902-8760**

### **Warning of Investment Fraud in the Sale of Death**

**Olympia** (February 26, 2002) – As part of a nationwide crackdown, Washington state's securities director is warning investors not to be taken in by claims of safe, guaranteed returns in the sale of viatical settlement investments. Viatical or senior settlement investments, which allow investors to buy an interest in the death benefits of terminally ill or older Americans, are high-risk investments whose sales are riddled with deceptive marketing and fraud, according to Securities Director Deborah Bortner.

Bortner's warning came as a subcommittee of the U.S. House Financial Services Committee was holding a hearing in the nation's capitol on "Fraud in the Sale of Death." Securities regulators in 18 states are bringing actions on behalf of thousands of investors who were defrauded of more than \$400 million over the past three years. Low interest rates and aggressive marketing are fueling an apparent rise in viaticals contract sales. In many cases, she says, independent insurance agents lured by high commissions are doing the selling.

"Some of these contracts are legitimate," Bortner says, "but viatical investments are high risk. The insured may live much longer than he or she is expected to and greatly reduce the investor's annual return. Investors should ask themselves if the potential reward is worth the price of hoping someone will die quickly to maximize their returns."

The Securities Division recently issued a Cease and Desist Order against two corporations and six insurance agents for allegedly selling more than \$1 million in unregistered viatical investments to at least 45 Washington residents. The division seeks fines of up to \$225,000 against two Maryland corporations -- Beneficial Assistance and William R. Evans, Chartered -- as well as fines against agents Daniel Curtin (Olympia), Frederick Weatherbee (Spokane), Penny Hansen (Marysville), Glen Ottmar (Bellevue), Roger Grossbohlin (Sequim), and Steven Monroe (Hillsboro, OR). The division intends also to order restitution for investors.

"This is one of a series of cases involving insurance agents who aren't licensed to sell securities selling investment products not registered in our state," says Bortner. "Viaticals promoters often tell insurance agents that their investments aren't securities and therefore don't need to be registered," she adds. "Before selling a viatical investment in Washington state, insurance agents should check with us to see if it needs to be registered. They must also be licensed to sell securities before trying to sell viaticals or any other investments."

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The Securities Division earlier had issued cease and desist orders against Alpha Capital of New York and Viatical Escrow Services of Ohio, Bellingham insurance agent Linda Stull, and others for the offer and sale of interests in viaticals to at least 18 Washington residents for a total of at least \$790,000. Alpha Capital's president subsequently pled guilty in Tennessee last year to fraud charges in connection with the sale of viatical investments and was sentenced to 34 months in prison and ordered to pay restitution to some investors. The head of Viatical Escrow Services was indicted on federal fraud charges in Ohio for misuse of investors' funds. Stull entered into a Consent Order in which she agreed to cease violating state securities registration and anti-fraud laws.

Alpha Capital investor Al Woodard of Bellingham, an 80-year-old victim who purchased an interest in a fraudulently obtained insurance policy, not only lost his investment of \$25,000, but was forced to hire an attorney to defend himself in a lawsuit filed by the insurance company that issued the policy.

Last November, the department issued final cease and desist orders against two Florida corporations, Viatical Capital and Viatical Marketing, and the two limited liability companies the Florida firms had set up under Nevada law. The companies sought to pool investors' money and buy viatical contracts at discount from terminally ill policyholders. MG Insurance Services of Beaverton, Oregon and former Vancouver, Washington insurance agent Richard Foster had earlier been ordered to stop selling unregistered investments from these companies, which were sold to at least two elderly Washington residents for \$40,000. All parties were charged with violating securities registration and anti-fraud laws.

Bortner urges investors to thoroughly check out all unusual investment opportunities. If it isn't listed on one of the national exchanges or the NASDAQ market, she says, spend more time researching it, including making a call to her office. Before making any investment, she urges investors to answer the following questions:

- Are the seller and investment licensed and registered in your state? Call the state securities division to find out.
- Has the seller provided written information that fully explains the investment? Be sure you get enough written information, such as a prospectus or offering circular, before you buy. Watch for jargon that sounds sophisticated but makes no sense.
- Are claims made for the investment realistic? Some things really are too good to be true. Get a professional, third-party opinion if the promises sound overblown.
- Does the investment meet your personal investment goals? Whether you're investing for the long-term, for income, or other reasons, an investment should match your goals.

Washington's Securities Division may be contacted by calling 1-800-372-8303 (toll free in-state) or you can visit them on the Web at <http://www.dfi.wa.gov/>. Investors can also find out if the person offering the investment is licensed to sell securities in the State of Washington and whether they have any disciplinary history. More information on viaticals can be found at <http://www.dfi.wa.gov/sd/viaticals.htm>.

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